UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

DIGITAL MEDIA SOLUTIONS, LLC,	)	**CASE NO. 1:19-cv-145**
	)	
Plaintiff,	)	**JUDGE DAN AARON POLSTER**
	)	
v.	)	**MAGISTRATE JUDGE**
	)	**THOMAS M. PARKER**
SOUTH UNIVERSITY OF OHIO, LLC, *et. al.*,	)	
	)	
	)	
Defendants.	)	

RESPONSE TO MOTION OF CHEYANNA JAFFKE REQUESTING INFORMATION REGARDING EMPLOYEE BENEFITS

Mark E. Dottore, Receiver, hereby makes this Response to the inquiry of Cheyanna Jaffke ("**Intervenor**"), a tenured professor at Western State College of Law ("**Western State**"), requesting information regarding employee benefits. Western State is an Argosy University Group LLC campus. The Receiver makes his response as follows:

1. As a preliminary matter, the Receiver makes note of the extraordinary events that have shaken Argosy University in the last 45 days. On February 20, 2019, the Receiver learned of a misuse of university funds affecting student stipends, and made the matter public a few days later. On February 27, 2019, the Department of Education (the "**DOE**") terminated all Title IV funding. The importance of this event cannot be overstated: the Receiver has not received any Title IV funding for Argosy University operations since early February. The matter

was made more critical by the fact that when the Receiver assumed control, there was little cash available for operations.

2. Nine days after funding was terminated by the DOE, Argosy University closed all of its campuses in as orderly a fashion as possible given the circumstances. In spite of the catastrophic events that caused Argosy's closure, the Receiver took steps to try to insure that the Level 3 Western States College of Law students would graduate and take the bar examination in July. To that end, he encouraged the secured lender to fund payrolls until the semester could be counted as complete. The Court later determined that all students at Western States Law School would finish the semester. The funding for such a project is extremely limited and the Receiver is doing all he can to pay these expenses as well as other critical Argosy expenses.

3. On or about December 18, 2018, Dream Center Education Holdings, LLC ("**DCEH**") and Benefit Administrative Systems ("**BAS**") entered into a Welfare Plan Services Agreement (the "**Services Agreement**") pursuant to which BAS agreed to administer DCEH's self-funded ERISA qualified employee welfare benefit plan (the "**Plan**"). BAS began administering the Plan on January 1, 2019. This plan was a "trailing liability," in that amounts were deducted from the employees' pay in December and January (prior to the appointment of the receiver), but any claims made by the employee pertaining to the plan health insurance coverage took time to be incurred and processed for payment. No funds were set aside by DCEH to pay the trailing healthcare claims.

4. Upon learning the state of the health care coverage, the Receiver ceased deducting payments from employees for healthcare. The matter is no longer at issue for most Argosy employees because with Argosy's closure their employment terminated. The Receiver is securing new health care benefits for the law school faculty. Forms have been forwarded to Dean Easley and it is our information that the letters have been provided to the faculty with responses from employees requested as soon as possible.

5. With regard to past medical benefits, the Receiver has retained special counsel to advise him as to the proper path forward. The Argosy University benefits are tangled with those of DCEH, New South University and New Arts Institutes campuses as well as those of miscellaneous campuses that became a part of the DCEH receivership. The Receiver expects to have more information as soon as these lawyers can review and determine what can be done. The Receiver understands that it is possible that steps can be taken that will prevent the care providers from dunning and collecting from employees. The Receiver will take those steps.

6. Some Western States faculty members will choose not to participate in the offered healthcare plan. For those persons, letters evidencing the termination of health care benefits will be provided. Requests can be delivered to Jaclyn Hirtz, jhirtz@dcedh.org.

7. The name of the long term disability insurance provider is Prudential. We are verifying what payments have been made to Prudential, since its inception in early January.

8. The name of the short term disability insurance provider is Prudential. We are verifying what payments have been made to Prudential, since its inception in early January.

9. The name of the life insurance provider is Prudential. We are verifying what payments have been made to Prudential, since its inception in early January. At this time, the Receiver does not have the policy number.

10. Presently, there is no vision or dental coverage. During the Receiver's tenure, vision and dental payments were deducted from employees' pay for three pay periods. MetLife administers the plan. The insurance benefits were paid for some and not for others. The Receiver is determining which employees received coverage and which did not. The Receiver intends to reimburse premiums to employees who did not receive coverage.

11. The Receiver has remitted all 401(k) funds withheld from employees to Fidelity. The withholding from the March 29, 2019, payroll was remitted April 3, 2019.

12. The Receiver is dealing with hundreds of issues and problems occasioned by the closure of Argosy University, including the maintenance of the law school as an operating entity. The Receiver will file a motion and order to make any payments from the receivership funds that are outside the ordinary course of business. The Receiver has filed a plan to pay $2.5 million of unpaid payroll, and the Court has approved that plan. Refunds of insurance money are not included in

that plan, and as soon as funds are available, the Receiver will request permission of the Court to pay those amounts.

Dated: April 4, 2019

Respectfully submitted,

/s/ Mary K. Whitmer

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